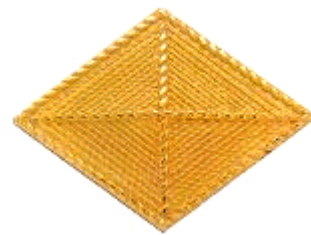


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FINANCE FLASH

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Over-withholding of State Income Taxes

1. Problem: An over-withholding of State income taxes, averaging in the amount of \$39.00, occurred in the end of month (EOM) pay for 8,063 Reserve Component (RC) service members. Federal income taxes were not affected. DFAS has already run the January mid month pay cycle, thus it is too late to reverse this error.
2. Result: In the case of the affected service members, their year to date federal and state "wages" are correctly stated in their master military pay account (MMPA). However, while their State taxes were over-withheld by the average of \$39.00, a corrected W-2 will not be required since the amount of State taxes reflected as "withheld" on the issued W-2 will be the same as the amount actually deducted and paid to the member's state of legal residence.
3. Solution: DFAS will notify each affected individual of the over-withholding of State income taxes and advise that they should expect a refund on their State tax return or a reduction in their State tax equal to the amount of the over-deduction.
4. For more information regarding W-2s and other finance questions, call or stop by your local finance office.

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